PSUs for disinvestment

21. SHRI JANARDHANA POOJARY: Will the Minister of DISINVESTMENT be pleased to state:

(a) the objectives of disinvestment, the policy guidelines and terms and conditions governing disinvestment;

(b) the criteria for identifying a PSU for disinvestment;

(c) the number of PSUs divested, so far, the proceeds therefrom and the purpose to which it was used;

(d) whether it is a fact that proper assessment of the actual worth of the PSUs and efforts to market and attract good bidders is not made;

(e) whether Government proposes to modify the current procedure for disinvestment; and

(f) if so, the details and reasons for modification thereof?

THE MINISTER OF DISINVESTMENT (SHRI ARUN SHOURIE): (a) The objectives of disinvestment are to unlock the true business potential of PSUs, improve the efficiency of their operations through induction of private capital and management, enhance the productive use of their assets, insulate Government finances from the commercial and business risk associated with owning a company, introduce a separation between the regulatory functions of Government and the production and supply of regulated services and products and to harness additional resources for the government through the sale of shares.

The policy on disinvestment has evolved over time. On March 16, 1999 Government classified PSUs into "Strategic" and "Non-Strategic" categories. "Non Strategic" industries can be disinvested upto a level of 26%, or lower, if necessary, on a case by case basis. Government also generally favours strategic sale to other options for disinvestment since this method ensures the highest realisable value for shares being disinvested and has shown good results in terms of improving the efficiency of privatized PSUs.

The terms and conditions vary with each case of disinvestment depending on the nature of the transaction, the financial condition of the PSU, market conditions and investor interest. However, in the case of

strategic sale, the Government transfers management control to the strategic buyer but retains specific residual powers, for a specified period, to safeguard the interest of employees and to ensure the productive use of assets.

(b) All "Non-Strategic" PSUs, except those PSUs like ONGC, IOC, and GAIL where a specific decision has been taken not to disinvest beyond 51% and Oil India Limited, can be disinvested to a level of 26% or lower if necessary. The decision to disinvest is taken on the basis of the recommendations of the Disinvestment Commission and the Ministry of Disinvestment after inter-ministerial consultations.

(c) The details of PSUs disinvested so far and the realization from each transaction are given in the Statement I and II (*see* below). The proceeds from disinvestment are deposited in the Consolidated Fund of India. It is not possible to specifically identify where these funds have been used. However, these funds enhance the capability of the Government to finance social and economic development programmes, rural development, poverty alleviation, PSU restructuring and infrastructure development.

(d) No, Sir.

(e) The procedure for disinvestment is continuously reviewed, updated and refined on the basis of experience gained.

(f) The procedure for disinvestment has been evolved with the objective of ensuring transparency, participative decision-making, fair play, administrative simplicity and consistency. Modifications are made, if necessary, to achieve these objectives.

Statement-I

Details of disinvestment and amount realised through sale of minority shares in the market from 1991-1992 *to* 1998-1999

Sl. No.	Name of the Company	1991-92	1992-93	1994-95	1995-96	1996-97	1997-98	1998-99
1	Andrew Yule	..	..	..				
2	Bharat Earth Movers Ltd.	..	..	48.270				
3	Bharat Electronic Ltd.	..	..	47.169				
4	Bharat Heavy Electricals Ltd.	..	8.21	301.336				

Sl. No.	Name of the Company	1991-92	1992-93	1994-95	1995-96	1996-97	1997-98	1998-99
5	Bharat Petroleum Corp. Ltd.	..	331.18	..				
6	Bongaigaon Refineries & Petrochem. Ltd.	..	45.40	..				
7	CMC Ltd.	..	..	..				
8	Cochin Refineries Ltd.	..	..	..				
9	Dredging Corp. of India Ltd.	..	..	..				
10	Fertilizers Chem. (Travancore) Ltd.	..	1.30	..				
11	HMT Ltd.	..	23.38	..				
12	Hindustan Cables ltd.	..	..	..				
13	Hindustan Copper Ltd.	..	8.07	..				
14	Hindustan Organic Chemical Ltd.	..	..	..				
15	Hindustan Petroleum Corp. Ltd.	..	331.85	563.111				
16	Hindustan Photofilms Mfg. Co. Ltd.	..	..	..				
17	Hindustan Zinc Ltd.	..	81.55	..				
18	Indian Petrochemicals Corp. Ltd.	..	..	..				
19	Indian Railway Contt. Company Ltd.	..	..	..				
20	Indian Telephone Industries Ltd.	..	15.63	..				
21	Madras Refineries Ltd. (Chennai Petroleum Corp. Ltd.)		..	..	..			
22	Mahanagar Telephone Nigam Ltd.	..		.. 1322.168	135.899		902.00	
23	Minerals & Metals Trading Corp. Ltd.	..	..	..				
24	National Aluminium Company Ltd.	..	244.20	0.096				
25	National Fertilizers Ltd.	..	0.72	0.283				
26	National Mineral Development Corp. Ltd.	..	17.88	..				
27	Neyveli Lignite Corp.	..	70.43	..				
28	Rashtriya Chemicals & Fertilizers Ltd.	..	30.36	..				
29	Shipping Corp. of India Ltd.	..	..	28.076				
30	State Trading Corp.	..	2.25	..				
31	Steel Authority of India Ltd.	..	700.10	22.661	13.303			

Sl. No.	Name of the Company	1991-92	1992-93	1994-95	1995-.96	1996-97	1997-98	1998-99
32	Videsh Sanchar Nigam Ltd.	..	..	..		379.67		783.68
33	Container Corp. of India	..	..	99.714	14.118			221.65
34	Indian Oil Corp. Ltd.	..	..	1033.646				1208.96
35	Oil and Natural Gas Corp.	..	..	1051.516	5.156			2484.96
36	Engineers India Ltd.	..	..	67.527				
37	Gas Authority of India Ltd.	..	..	194.120				671.86
38	India Tourism Dev. Corp.	..	..	51.985				
39	Kudremukh Iron Ore Comp. Ltd.	..	..	11.399				
40	Modern Food Industries Ltd.	..	..	..				
41	BALCO (financial restructuring)/ Disinvestment	..	..	..				
	TOTAL:	3038.00	1912.51	4843.077	168.476	379.67	902.00	5371.11

As in 1991-92 the shares were sold in bundles the amount realised PSU-wise is not available.

For 1993-94 the data is nil.

Statement-II

Details of disinvestment and amount realised through strategic sale and related transactions since 1999-2000 *to till date*

(Rs. in crore)

No.	Name	GoI. Equity sold	Realisation
1a.	MFIL	9.63	105
1b.	MFIL-Phase II	3.38	44**
2.	BALCO	112.52	826.5
3.	CMC	7.73	152
4.	HTL	11.1	55
5.	LJMC	0.77	2.53
	ITDC-19 HOTELS		
6.	Agra	1.70	3.61
7.	Bodhgaya	0.44	1.81
8.	Hassan	0.21	2.27
9.	Mamallapuram	0.83	6.13
10.	Madurai	0.71	4.97

No.	Name	GoI. Equity sold	Realisation
11.	Bangalore	0.96	39.41 (up-front fee); (4.11—MGAP)
12.	Qutab	0.83	34.46
13.	Lodhi	0.96	71.93
14.	LVPH, Udaipur	0.55	6.77
15.	Manali	0.63	3.65
16.	Kovalam	1.85	40.39
17.	Aurangabad	1.16	16.50
18.	Airport Kolkata	0.66	19.39
19.	Khajuraho	0.97	2.19
20.	Varanasi	1.74	8.38
21.	Kanishka	1.90	92.37
22.	Indraprastha (AYN)	0.80	43.39
23.	Chandigarh project	7.00	17.27
24.	Ranjit	3.20	29.20
	Sub-total	27.10	444.09
	HCI-3 HOTELS		
25.	Juhu, Mumbai	8.95	153
26.	Rajgir	1.72	6.51
27.	Airport, Mumbai	4.0	83
	Sub-total	14.67	242.51
28.	IBP	7.44	1153.68
29.	VSNL	71.25	3689^
30.	STC	...	40
31.	MMTC	...	60
32.	PPL	320.16	151.70
33.	JESSOP	68.13	18.18**
34.	Hindustan Zinc Ltd.	109.85	445
35.	Maruti Udyog	66.00	2424^^**
36.	IPCL	64.5	1490.84
	Grand Total:	894.23	11344.03

* Including NPV of future earnings on MGAP & lease rentals **expected Loss making for latest years

^ Including dividend & divi. Tax^^ minimum amount to be received over 3 tranches; could go up to Rs. 3158 cr. Companies at Sr. No. 5, 23, 25, 26, 27 & 33 are subsidiaries. Sale at 33 to be approved by Government/BIFR